

FY2014 Financial Results (Ended March 20, 2015)

FY2015 Financial Forecasts (Ending March 20, 2016)

YASKAWA ELECTRIC CORPORATION (TSE 6506)

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Motion Control (M)

[Core products]

- AC servo motors and controllers
- Linear servo motors
- AC drives
- Power conditioners
- Motor drive systems for EV, etc.



AC servo drives



General purpose
AC drive



Power conditioner
for photovoltaic
power generation



Motor drive
system for EV

Robotics (R)

[Core products]

- Industrial Robots
 - Arc and spot welding robots, Painting robots
 - FPD glass sheet transfer robots, New generation robots, Handling robots,
- Semiconductor wafer transfer robots
- Biomedical robots etc.



High path accuracy robot
for laser cutting and
welding



Delta robot



Robot system for
preprocessing operations

System Engineering (S)

[Core products]

- Electrical systems for steel plants
- Electrical instrumentation systems for water supply plants and sewage treatment facilities
- Large- and small-scale wind power generator and converter etc.



Electric
instrumentation
systems for water
and sewerage



Continuous-casting machine



Large-scale wind power
generator and
converter

Other

[Core products]

- IT-related services
- Logistics, etc.

1. FY2014 Financial Results

(Ended March 20, 2015)

- Both sales and net income were record high

	<u>FY2014 Results</u>	FY2014 forecasts	Changes from the forecasts	FY2013 Results	<u>Changes</u>	
					<u>Amounts</u>	<u>%</u>
Net Sales	<u>¥ 400.2bn.</u>	¥ 400.0bn.	+¥ 0.2bn.	¥ 363.6bn.	<u>+¥ 36.6bn.</u>	<u>+10.1%</u>
Operating Income	<u>¥ 31.5bn.</u>	¥ 31.5bn.	+¥ 0.0bn.	¥ 25.7bn.	<u>+¥ 5.8bn.</u>	<u>+22.7%</u>
Ordinary income	<u>¥ 33.9bn.</u>	¥ 33.0bn.	+¥ 0.9bn.	¥ 27.1bn.	<u>+¥ 6.8bn.</u>	<u>+25.1%</u>
Net income	<u>¥ 24.8bn.</u>	¥ 23.5bn.	+¥ 1.3bn.	¥ 17.0bn.	<u>+¥ 7.9bn.</u>	<u>+46.3%</u>

Notes: FY14 forecasts are the figures announced on January 22, 2015

FY2014 Financial Highlights by Business Segment (1)

- Both sales and operating income of (M) and (R) were record high

(Billions of yen)

		FY2014		FY2014		Changes from the forecasts	FY2013		Changes	
			Income ratio	Forecasts	Income ratio			Income ratio	Amounts	%
Net Sales		400.2		400.0		+0.2	363.6		+36.6	+10.1%
(M)	Motion Control	188.1		188.0		+0.1	162.3		+25.8	+15.9%
(R)	Robotics	136.0		137.0		-1.0	122.5		+13.4	+10.9%
(S)	System Engineering	41.0		39.5		+1.5	35.3		+5.7	+16.0%
	Other	35.1		35.5		-0.4	43.4		-8.3	-19.0%
Operating Income		31.5	7.9%	31.5	7.9%	+0.0	25.7	7.1%	+5.8	+22.7%
(M)	Motion Control	21.7	11.6%	22.0	11.7%	-0.3	16.4	10.1%	+5.3	+32.3%
(R)	Robotics	10.6	7.8%	11.4	8.3%	-0.8	9.5	7.8%	+1.0	+11.0%
(S)	System Engineering	-0.8	-	-1.2	-	+0.4	-0.0	-	-0.8	-
	Other	1.3	3.6%	0.7	1.8%	+0.6	1.1	2.6%	+0.2	+14.9%
	Elimination or Corporate	-1.3	-	-1.4	-	+0.1	-1.4	-	+0.1	-
Ordinary Income		33.9	8.5%	33.0	8.3%	+0.9	27.1	7.4%	+6.8	+25.1%
Net income		24.8	6.2%	23.5	5.9%	+1.3	17.0	4.7%	+7.9	+46.3%

Motion Control

- The global AC servo business was robust due to the strong demand from smart-phone and automotive-related industries mainly in China.
- The sales of general purpose AC drives were firm due to positive market conditions in the U.S.

On the other hand, the PV inverter business was affected negatively by the electric power companies' postponing the acceptance of applications for connections to the power grid.

Robotics

- The global performance in robotics was robust due to strong demand from the automobile industry in China.

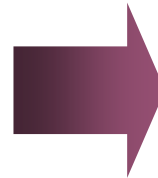
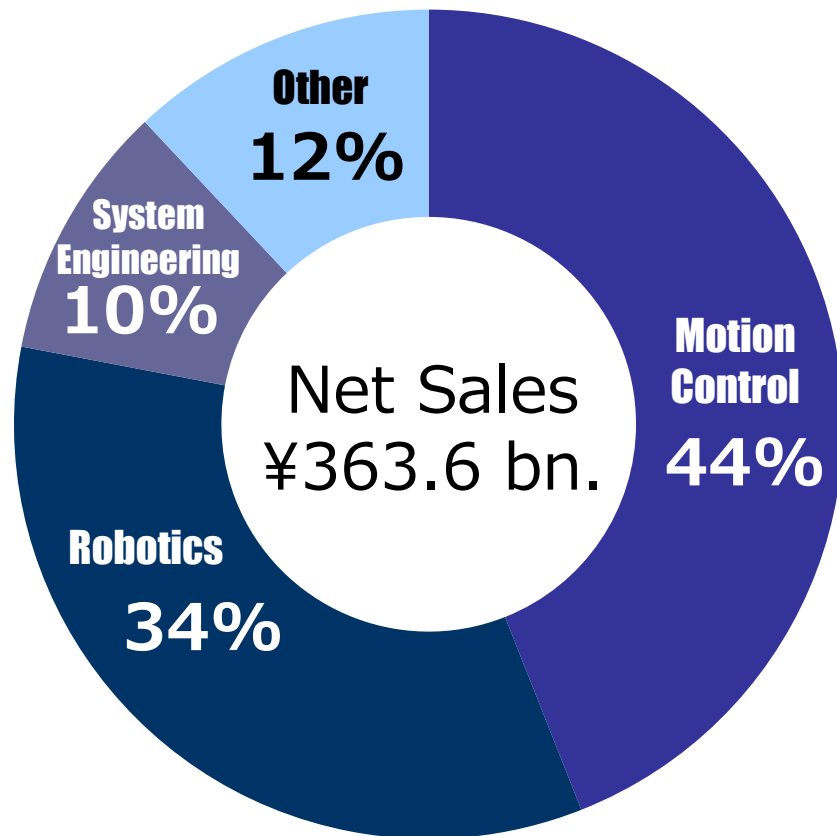
System Engineering

- Investments in steel plants were weak. Electric instrumentation systems for water and sewerage were firm.
There was a negative impact on profit by the newly consolidated subsidiary of The Switch.

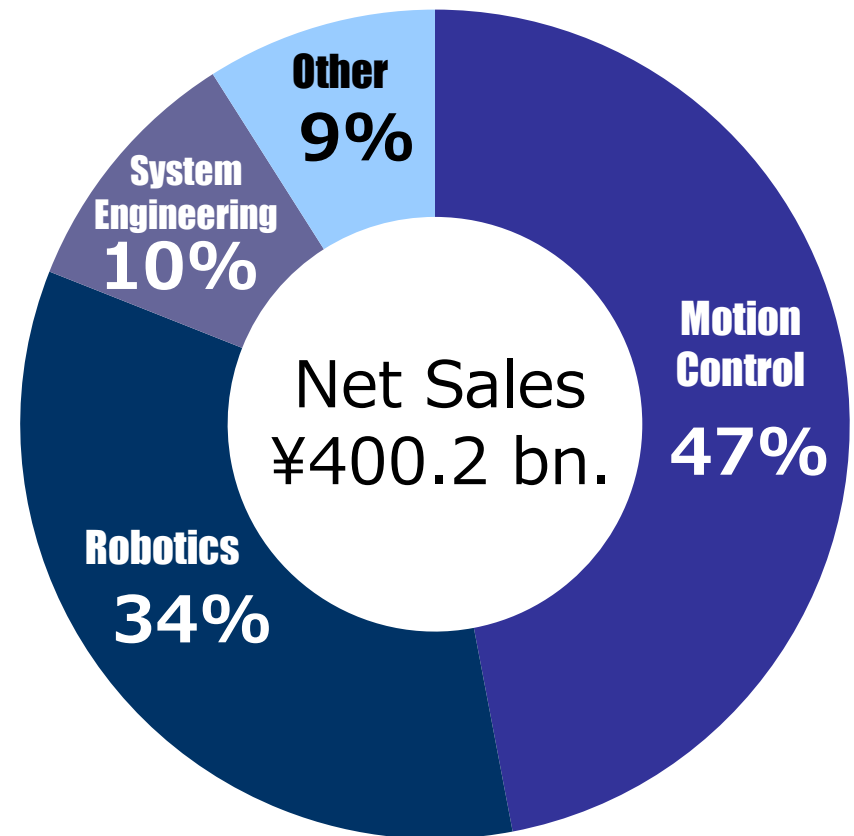
Notes: The Switch...The Switch Engineering Oy (Finland)

Sales Breakdown by Business Segment

FY13



FY14



- **Overseas sales expanded due to robust performance in the Americas and China**

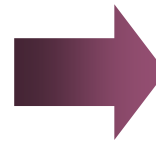
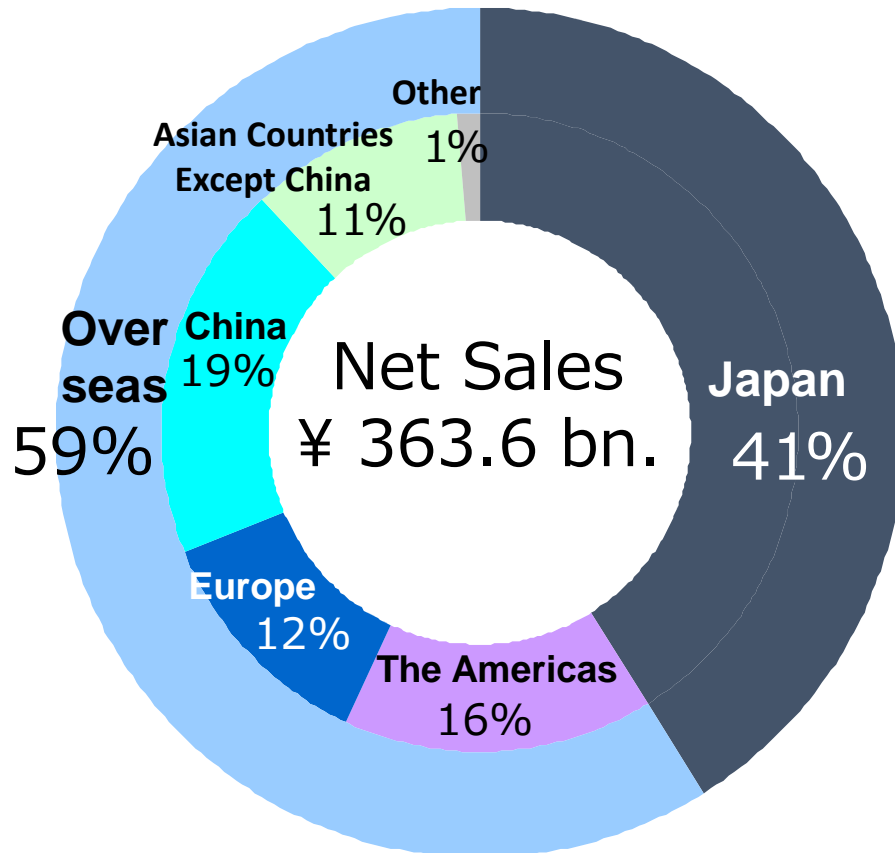
(Billions of yen)

		FY2014	FY2013	Changes	
				Amounts	%
Net Sales		400.2	363.6	+36.6	+10.1%
	Japan	144.2	150.1	-5.9	-3.9%
	Overseas	255.9	213.5	+42.4	+19.9%
	The Americas	72.6	58.5	+14.1	+24.2%
	Europe	46.9	42.5	+4.4	+10.4%
	China	85.0	67.2	+17.9	+26.6%
	Other Asian Countries	47.8	41.4	+6.3	+15.3%
	Other	3.6	3.9	-0.3	-7.8%

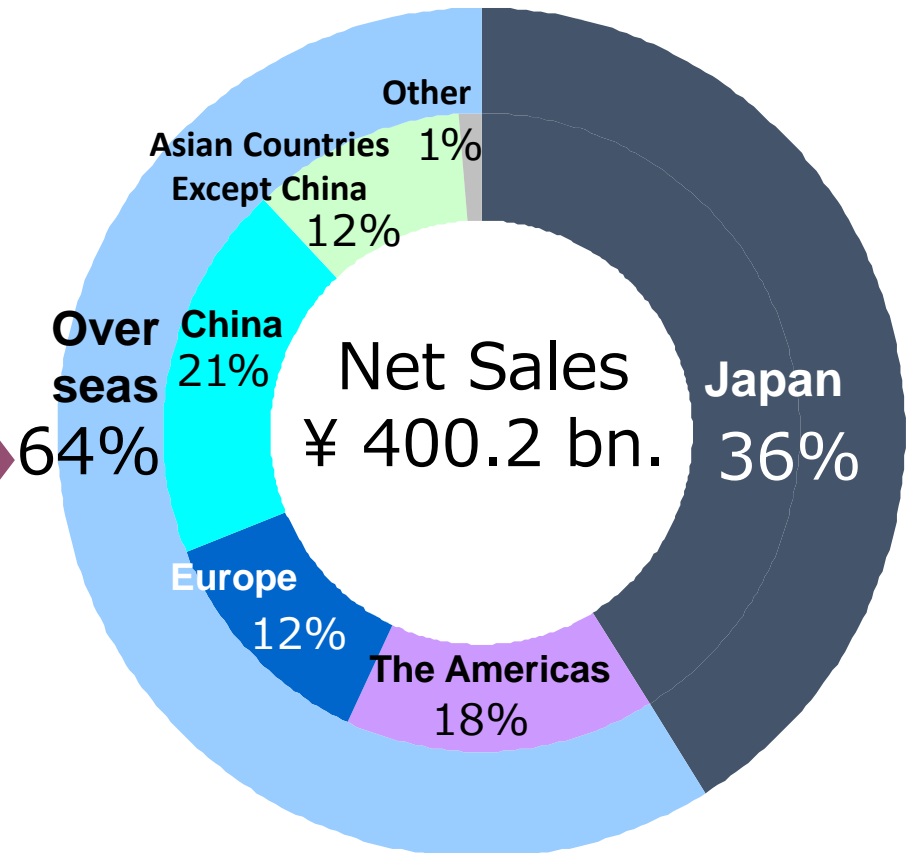
Note: "Other areas" include Australia and South Africa, etc.

- Overseas sales ratio expanded due to significant growth in the Americas and China

FY13

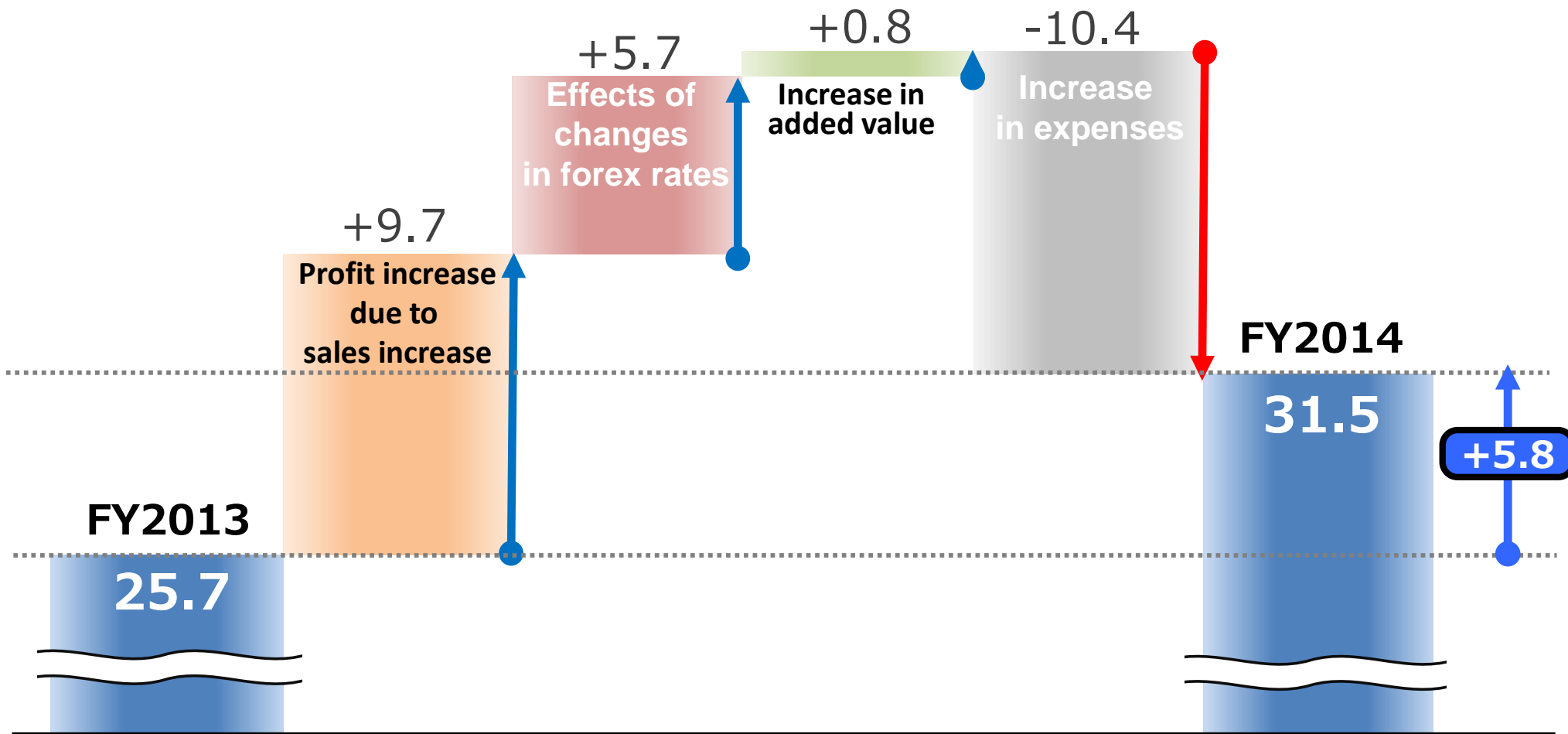


FY14



Breakdown of Changes in Operating Income (FY13 → FY14)

(Billions of yen)



● Expand new businesses through M&A

- Enter the U.S. PV generation market by acquisition of Solectria Renewables, LLC
 - ➔ Global rollout of its products
- Expand sales for wind turbines by acquisition of The Switch Engineering Oy
 - ➔ Expand business domain to wind generation and nautical business



Solectria Renewables, LLC (U.S.)

● Enhance the management efficiency through reorganization of subsidiaries

- Yaskawa Information Systems Corporation became an equity method affiliate
 - ➔ Strengthen the IoT / M2M-related businesses
- Y-E Data plans to become a wholly owned subsidiary in Jul. 2015
 - ➔ Maximize synergy by a better coordinated group management
- Yaskawa Techno Plate was merged (announced Mar. 2015)



The Switch Engineering Oy (Finland)



The Switch products

- **Enhance the capabilities in development, production and sales**
 - **Expanded the sales of Σ -7**
 - ➔ Improved profitability by both higher performance and efficient manufacturing
 - ➔ Launched Σ -7 in China in Sep. 2014
 - **Prepared for expanding sales of PV inverter for residential uses**
 - ➔ Developed the world's first PV inverter using GaN
 - ➔ Obtained the certification of Japan Electrical Safety & Environment Technology Laboratories in Mar. 2015
 - **Launched matrix converter U1000 in Japan**
 - **Expanded applications of robots in non-automobile fields**
 - ➔ Increased Robot Centers for developing Siers
 - ➔ Started construction of robot center in Japan in Apr. 2015
 - ➔ Established a robot center in Indonesia in Oct. 2014
 - **Strengthen robot production capabilities**
 - ➔ Boost production at the robot factory in Changzhou, China
 - ➔ Improve efficiency through automation of production in Japan (Began construction of the new robot factory No.3)



Σ -7 series



Indonesia robot center

2. FY2015 Financial Forecasts (Ending March 20, 2016)

- Record high sales, operating income and ordinary income projected due to steady expansion in the core businesses

	<u>FY2015</u> <u>Results</u> <u>Current forecast</u>	FY2014 Results	<u>Changes</u>	
			<u>Amounts</u>	<u>%</u>
Net Sales	<u>¥ 435.0bn.</u>	¥ 400.2bn.	<u>+¥ 34.8bn.</u>	<u>+8.7%</u>
Operating Income	<u>¥ 36.5bn.</u>	¥ 31.5bn.	<u>+¥ 5.0bn.</u>	<u>+15.8%</u>
Ordinary income	<u>¥ 37.0bn.</u>	¥ 33.9bn.	<u>+¥ 3.1bn.</u>	<u>+9.2%</u>
Net income	<u>¥ 24.0bn.</u>	¥ 24.8bn.	<u>-¥ 0.8bn.</u>	<u>-3.3%</u>

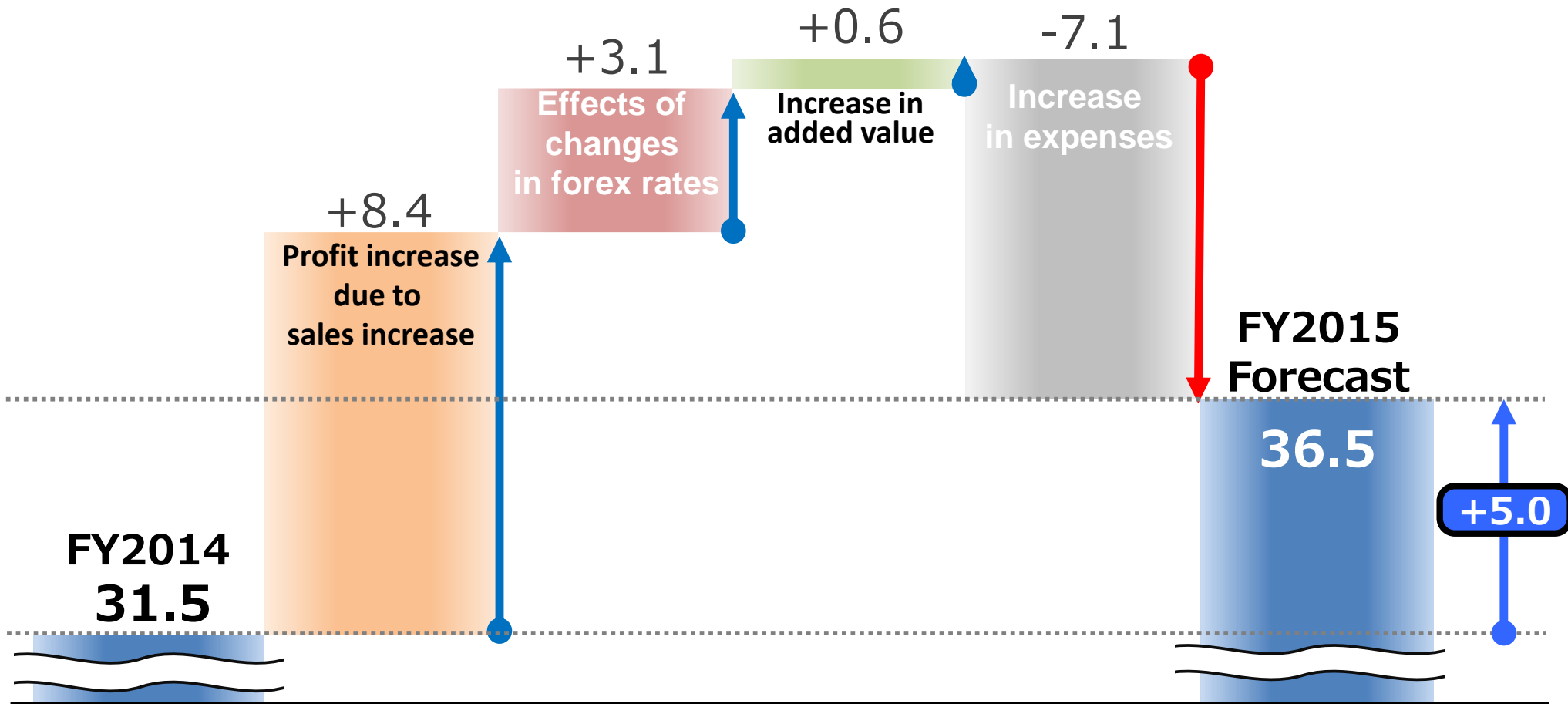
- Increase in sales and operating income led by the core businesses**

(Billions of yen)

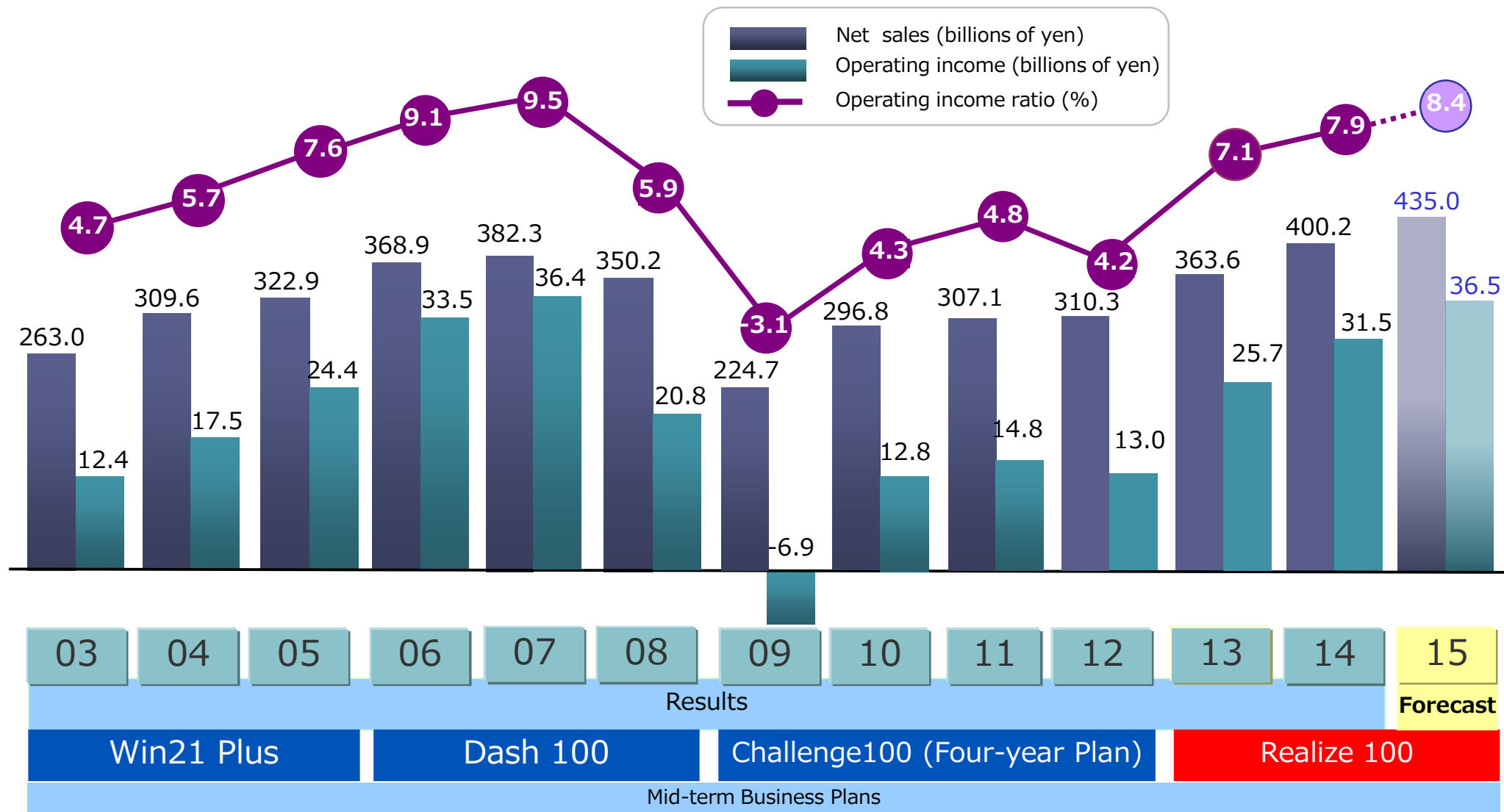
		FY2015		FY2014		Changes	
		Forecasts	Income ratio	Results	Income ratio	Amounts	%
Net Sales		435.0		400.2		+34.8	+8.7%
(M)	Motion Control	211.0		188.1		+22.9	+12.2%
(R)	Robotics	149.0		136.0		+13.0	+9.6%
(S)	System Engineering	46.0		41.0		+5.0	+12.2%
	Other	29.0		35.1		-6.1	-17.4%
Operating Income		36.5	8.4%	31.5	7.9%	+5.0	+15.8%
(M)	Motion Control	25.3	12.0%	21.7	11.6%	+3.6	+16.3%
(R)	Robotics	12.6	8.5%	10.6	7.8%	+2.0	+19.3%
(S)	System Engineering	-1.0	-	-0.8	-	-0.2	-
	Other	0.8	2.8%	1.3	3.6%	-0.5	-37.4%
	Elimination or Corporate	-1.2	-	-1.3	-	+0.1	-
Ordinary Income		37.0	8.5%	33.9	8.5%	+3.1	+9.2%
Net income		24.0	5.5%	24.8	6.2%	-0.8	-3.3%

Breakdown of Changes in Operating Income (FY14 → FY15 Forecast)

(Billions of yen)



FY2003-2015 Net Sales/Operating Income



● Increase earnings of existing businesses

• Expand sales of Σ -7

- Launch Σ -7 in the Americas, Europe and Asia
- Accelerate switching to Σ -7 in Japan and China

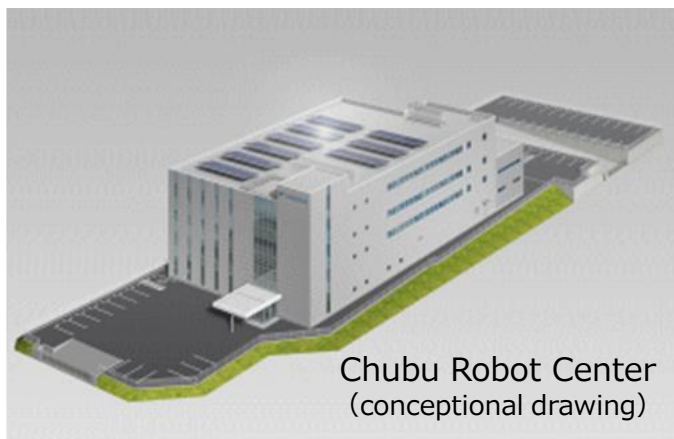
• Global launch of matrix converter U1000

• Expand sales of robots for general industries through robot centers

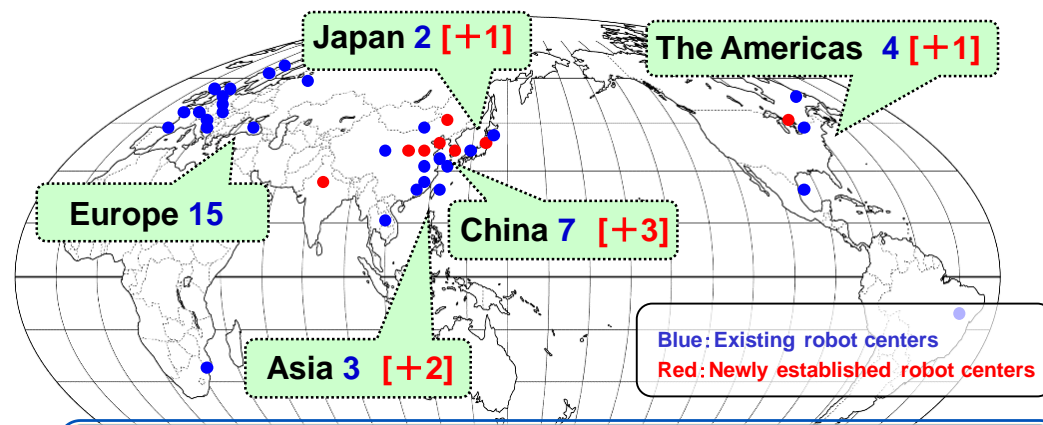
- Foster and develop SIers in general industries
- Launch Chubu Robot Center in Japan in May. 2015
- Establish 6 robot centers overseas



Σ -7 series



Chubu Robot Center
(conceptual drawing)



$$31 \text{ (by FY2014)} + 7 \text{ (in FY2015)} = 38 \text{ (at the end of FY15)}$$

- **Reinforce business performance by enhancing development, production and sales capabilities**

- **Develop the new product series**

- ➔ Develop new model of AC drive
- ➔ Develop new 2016 model of robots

- **Improve global production system**

- ➔ Establish global production capacity of 3,000 robots per month (Launch the new robot factory No.3 in Sep. 2015)
- ➔ Boost production at the factory in Shenyang for expanding sales of Σ -7

- **Establishment and global expansion of new businesses**

- **Create synergy with The Switch Engineering Oy**

- ➔ Capture the demand of global wind turbine manufacturers
- ➔ Expand electric system business for energy-saving of vessels

- **Expand sales of PV inverters**

- ➔ Cultivate sales channels for PV inverters for residential uses
- ➔ Expand sales of Solectria Renewables, LLC's products



YASKAWA (China) Robotics Co., Ltd
(Robot production factory (Changzhou))



World's first PV inverter for residential uses using GaN

3. Reference

Capital Expenditure, R&D Investment, Forex Rates

◆ Capital expenditure (Consolidated)

(Unit: Billions of yen)

	FY2012	FY2013	FY2014	FY2015 Plan
Capital Expenditure	15.9	17.0	36.4	18.0
Depreciation and Amortization	8.1	9.2	11.5	13.5

◆ R&D investment (Consolidated)

(Unit: Billions of yen)

	FY2012	FY2013	FY2014	FY2015 Plan
R&D investment	10.7	14.0	15.3	15.0

◆ Forex rates (Consolidated)

(Unit: Yen)

	FY2012			FY2013			FY2014			FY2015 Forecasts
	1H	2H	Full-year	1H	2H	Full-year	1H	2H	Full-year	Full-year
U.S. dollar	80.1	83.7	81.9	98.2	101.0	99.6	102.2	114.2	108.2	120.0
Euro	102.0	109.4	105.7	128.5	136.9	132.7	139.4	139.9	139.7	125.0

Note: Average rate during the period

Financial Indices

As of March 20, 2014

- Shareholders' equity ratio 39.4%
- Shareholders' equity 134.1 billion yen
- Interest-bearing debt 55.5 billion yen
- D/E ratio 0.41
(Net D/E ratio) 0.24
- Inventory 78.4 billion yen
Turnover 2.6 months
- ROE 13.8%

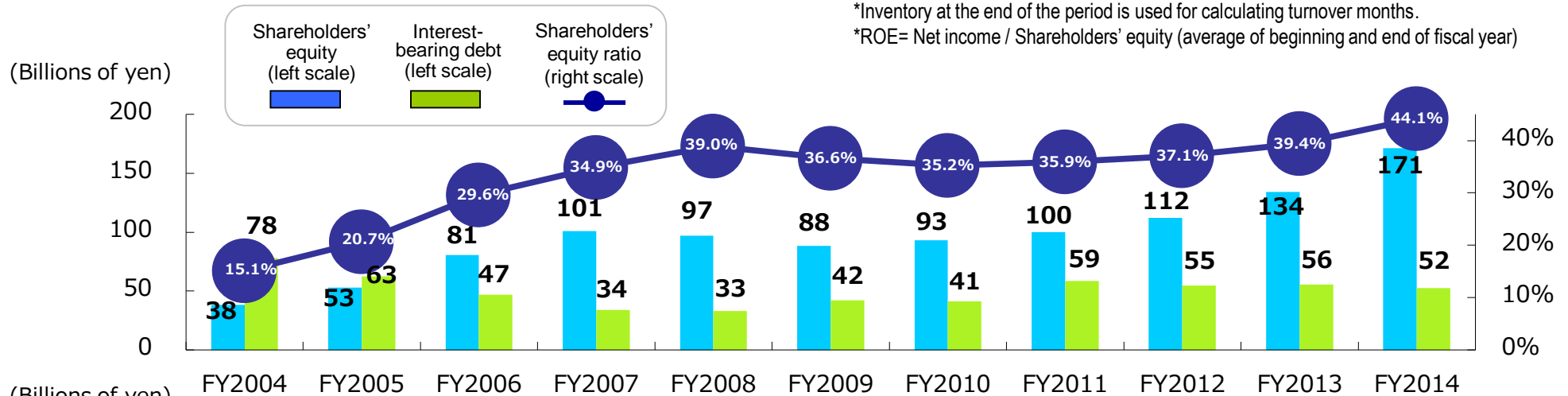
As of March 20, 2015

- Shareholders' equity ratio 44.1%
- Shareholders' equity 171.4 billion yen
- Interest-bearing debt 52.4 billion yen
- D/E ratio 0.31
(Net D/E ratio) 0.16
- Inventory 85.5 billion yen
Turnover 2.6 months
- ROE 16.3%

*Interest-bearing debt includes convertible bonds and lease obligations.

*Inventory at the end of the period is used for calculating turnover months.

*ROE= Net income / Shareholders' equity (average of beginning and end of fiscal year)



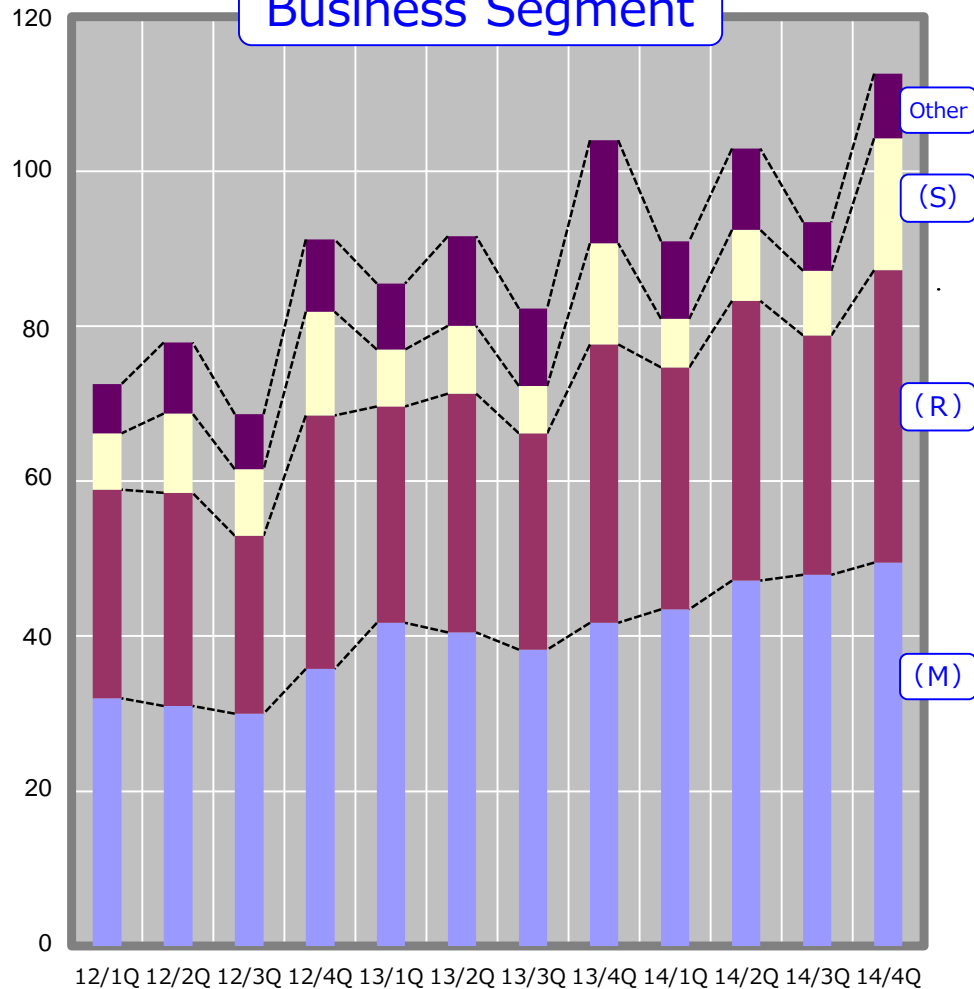
(Billions of yen)

Operating CF	5.8	18.7	15.0	17.7	12.5	4.0	2.5	6.4	24.6	24.0	29.0
Investment CF	-2.2	-9.7	-6.1	-9.9	-10.7	-6.5	-6.7	-11.9	-18.1	-16.9	-27.9
Free CF	3.5	9.0	8.9	7.8	1.8	-2.4	-4.3	-5.5	6.6	7.0	1.1

Quarterly Sales Trends(1)

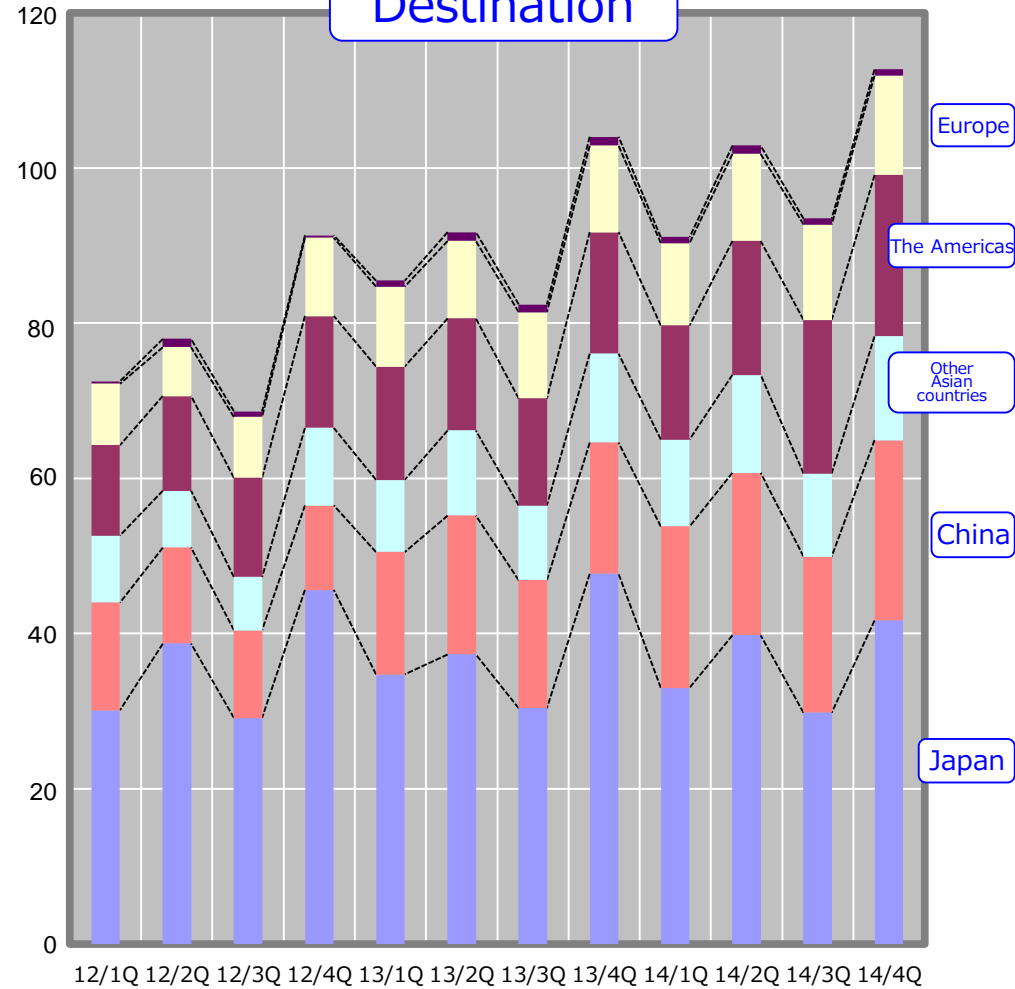
(Billions of yen)

Business Segment



(Billions of yen)

Destination

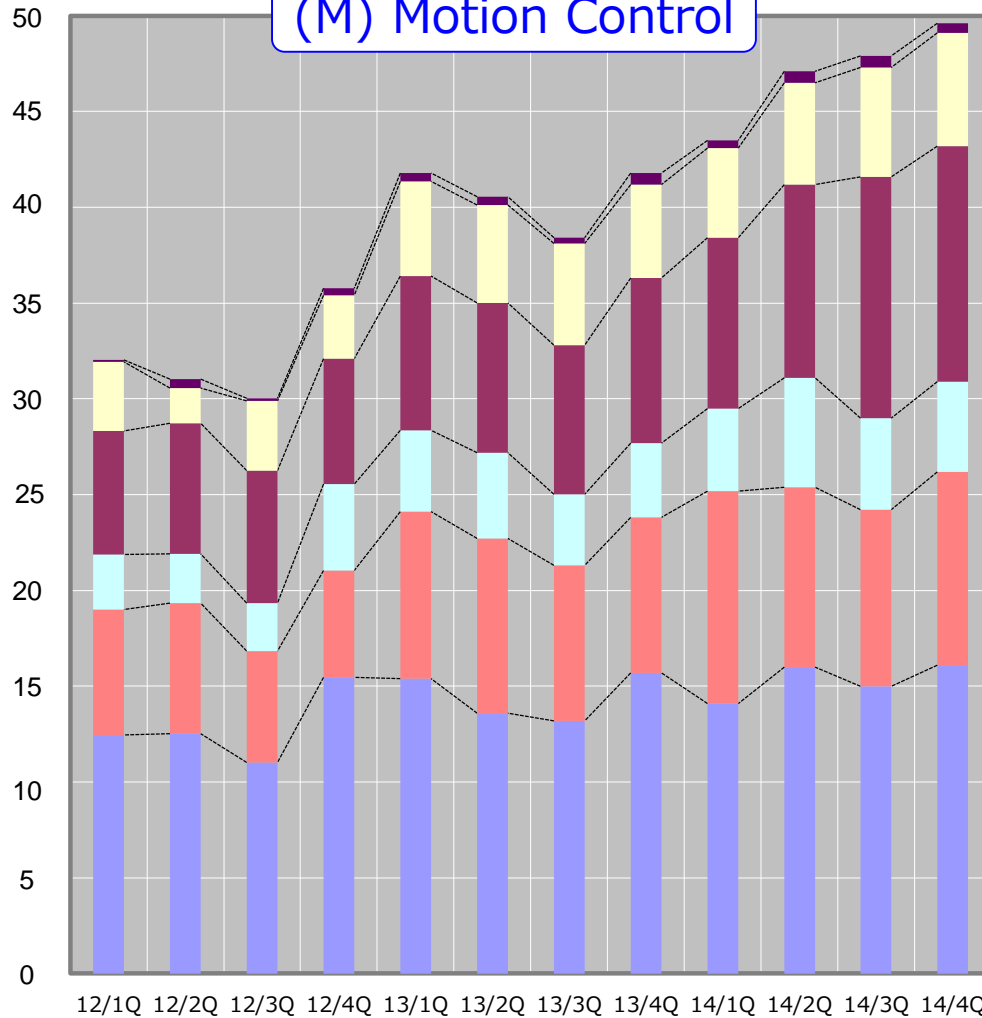


- Notes: 1. (M) = Motion Control (R) = Robotics (S) = System Engineering
 2. The figures for FY12 and FY 13 reflect segmentation changes announced on July 18, 2013.

Quarterly Sales Trends(2)

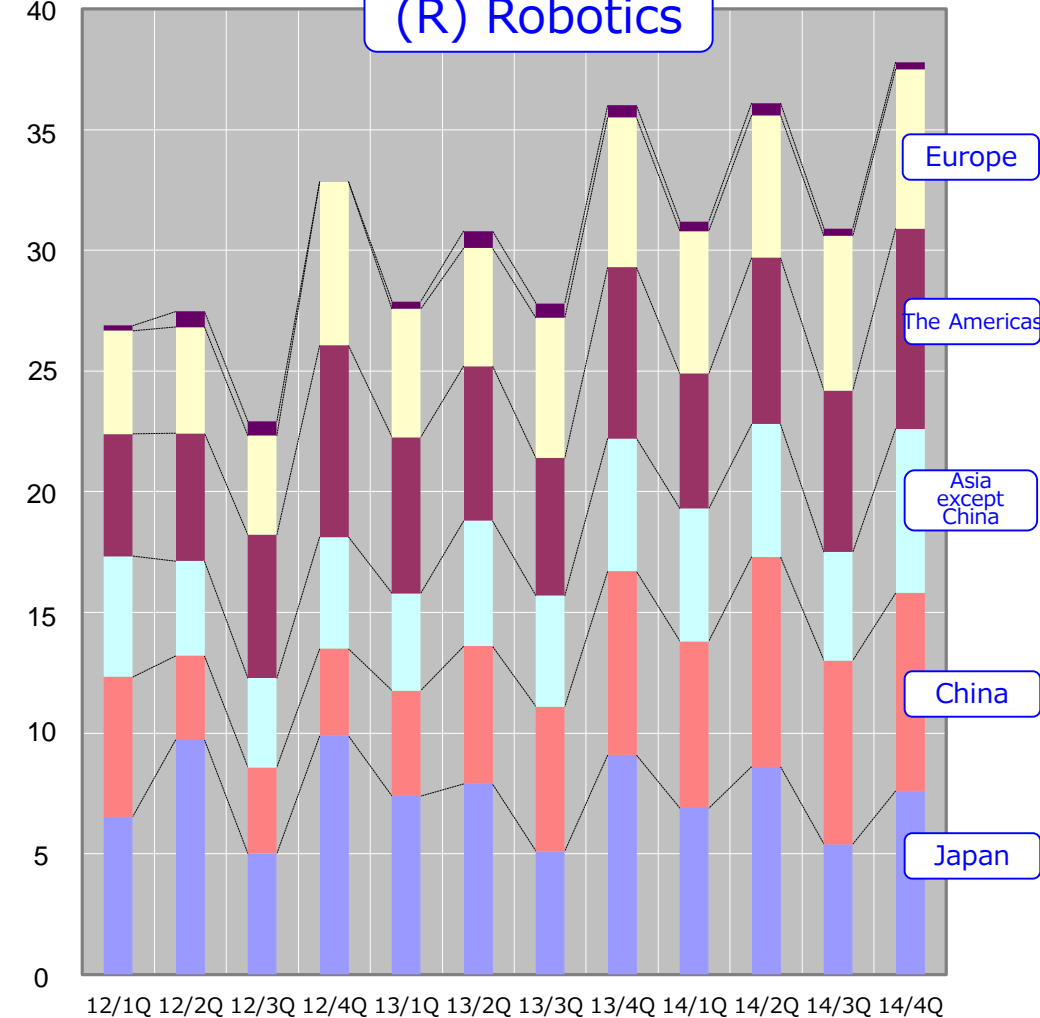
(Billions of yen)

(M) Motion Control



(Billions of yen)

(R) Robotics



Note: The figures for FY12 and FY 13 reflect segmentation changes announced on July 18, 2013.

Major Production Bases



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